



Federal Emergency Management Agency (FEMA)

National Flood Insurance Program (NFIP)

Important Facts to Know

- Every year, flooding causes more than \$2 billion of property damage in the U.S.
- The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is a flood that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the NFIP as the standard for floodplain management and to determine the need for flood insurance.
- Over the life of a 30-year mortgage, there is a 26% (or 1 in 4) chance that a home in a floodplain will experience a flood that will equal or exceed the 1-percent chance flood (100-year flood). During this same period, there is a 9% chance of a home experiencing a fire.
- Approximately 25% of all claims paid by the NFIP are for policies outside of the mapped floodplain.

What is the National Flood Insurance Program?

The National Flood Insurance Program (NFIP) was established with the passage of the National Flood Insurance Act of 1968. The NFIP is a Federal program enabling property owners in participating communities to purchase flood insurance as a protection against flood losses in exchange for State and community floodplain management regulations that reduce future flood damages. Over 20,000 communities participate in the Program.

What are the benefits of joining NFIP?

Through the NFIP, property owners in participating communities are able to insure against flood losses. By employing wise floodplain management, a participating community can protect its citizens against much of the devastating financial loss resulting from flood disasters. Careful local management of development in the floodplains results in construction practices that can reduce flood losses and the high costs associated with flood disasters to all levels of government.

Who may purchase a flood insurance policy?

NFIP coverage is available to all owners of insurable property (a building and/or its contents) in a NFIP participating community.

What must a community do to participate in NFIP? Is there a fee involved?

To join the Program, the community must submit an application package that includes the following information. There is no fee for a community to join or be involved in the Program.

- One-page application form that asks for information about the community, including estimates of land area, population, and number of structures in and outside the floodplain.
- Community must adopt a resolution of intent, which indicates an explicit desire to participate in the NFIP and commitment to recognize flood hazards and carry out the objectives of the Program.
- Community must adopt and submit floodplain management regulations that meet or exceed the minimum floodplain management requirements of the NFIP.

What happens if a community does not join or is suspended from the NFIP?

The following sanctions apply to communities that are identified as flood-prone by FEMA and do not participate in the Program:

- Property owners will not be able to purchase NFIP flood insurance policies and existing policies will not be renewed.
- Federal grants or loans for development will not be available in identified flood hazard areas under programs administered by Federal agencies such as the Department of Housing and Urban Development, Environmental Protection Agency, and Small Business Administration.
- Federal disaster assistance for flood damage will not be provided to repair insurable buildings located in identified flood hazard areas.
- Federal mortgage insurance or loan guarantees, such as those written by the Federal Housing Administration and the Department of Veteran Affairs, will not be provided in identified flood hazard areas.
- Federally insured or regulated lending institutions, such as banks and credit unions, are allowed to make conventional loans for insurable buildings in flood hazard areas of non-participating communities. However, the lender must notify applicants that the property is in a flood hazard area and that the property is not eligible for Federal disaster assistance. Some of these lenders voluntarily choose not to make these loans.

Why is my lender requiring flood insurance?

For virtually every mortgage transaction involving a structure in the United States, the lender reviews the current NFIP maps for the community in which the property is located to determine its location relative to the published Special Flood Hazard Area (SFHA), also known as the 100-year floodplain, and completes the Standard Flood Hazard Determination Form. If the lender determines that the structure is indeed located within the SFHA and the community is participating in the NFIP, the borrower is then notified that flood insurance will be required as a condition of receiving the loan. A similar review and notification is completed whenever a loan is sold on the secondary loan market or perhaps when the lender completes a routine review of its mortgage portfolio. This fulfills the lender's obligation under the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 that requires the purchase of flood insurance by property owners who are being assisted by Federal programs or by Federally regulated institutions in the acquisition or improvement of land, or facilities, or structures located or to be located within an SFHA.

What if I disagree with my lender's determination that I am in a flood zone?

Property owners may not contest the requirement if the lending institution has established the requirements as a part of its own standard lending practices. However, if a lending institution is requiring the insurance to meet mandatory flood insurance purchase requirements, the property owner should ask the lending institution if they will accept a Letter of Map Change (LOMC) from FEMA to waive the flood insurance requirement. If they agree, the property owner will need to complete and submit to FEMA one of the applicable LOMC forms (MT-EZ, MT-1, and MT-2), which require the property owner to prove, with the assistance of professional engineer or registered surveyor, that their home or property has incorrectly been included in the floodplain. The LOMC forms and instructions are available at www.fema.gov/fhm/frm_form.shtm.

For more answers to questions about the NFIP, please visit FEMA's website at www.fema.gov/nfip/qanda.shtm or the New Hampshire Floodplain Management Program's website at www.nh.gov/oep/programs/floodplainmanagement.

For more information about NFIP, please contact Jennifer DeLong, NH Office of Energy and Planning, at 603-271-2155 or email at jennifer.delong@nh.gov.